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Underwriting Information, Filings, & Property Loss Costs

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The Washington Surveying & Rating Bureau (WSRB) is a non-profit, public service advisory organization serving the property insurers, fire departments and insurance consumers of Washington, by encouraging efforts that result in improved fire prevention and suppression. We are similar to the for-profit, nation-wide organization ISO, and some of you may be familiar with "ISO ratings;" in Washington State, these insurance ratings are performed by WSRB. I'd like to provide some information as to how fire sprinklers in homes affect insurance rates and how **a decision not to adopt dwelling sprinkler provisions will have an adverse financial impact on communities, their first responders and their citizens.**

Our community ratings provide an overall classification that affects insurance for all structures in a community. An important component of our evaluation is the number of structures protected by fire sprinkler systems. Structures with fire sprinkler systems are recognized by the insurance industry as requiring less reliance on fire department suppression tactics and public water systems than structures without sprinklers. When a community adopts codes requiring fire sprinklers in homes, over time the total number of structures with sprinklers increases, and therefore the amount of credit available under our system increases. The impact will be felt most strongly in new residential developments where the available water supplies are limited, a situation many communities find themselves in. **A better community insurance rating is like a rising tide that lifts all boats – everyone in the community benefits from a better rating, even if they live in an older home that doesn't have sprinklers. Better insurance ratings result in lower insurance costs.**

Perhaps more significantly, WSRB (in Washington) and ISO (country-wide) evaluate communities for how effectively they enforce building codes. Our Building Code Enforcement ratings are part of the Community Rating System (CRS) used by the Federal Emergency Management Agency (FEMA) and the National Flood Insurance Program (NFIP) to determine how much to charge a community for flood insurance, as well as how much FEMA Hazard Mitigation funds to make available to a community. FEMA uses these ratings to encourage communities to adopt best practices and national standards, knowing that communities that do so will have less damage and fewer losses than communities that do not. **It can be hard to do the right thing – adopting modern building codes and rigorously enforcing them – so FEMA provides a significant financial incentive to communities that do so.**

Why is this important to the debate over dwelling fire sprinklers? **The systems that WSRB, ISO and FEMA use penalize communities that do not adopt or that weaken national building code standards.** FEMA and the insurance industry look for uniformity in code adoption because the code development process takes into account the total effect of all relevant factors. Adopting codes on an "a la carte" basis affects the structural integrity of the entire code document. **In this case, the penalty may have large effects.**



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In order to demonstrate the effect of home sprinklers on flood insurance rates, which is probably not intuitively obvious, I have included information from FEMA showing the National Flood Insurance Program (NFIP) classification system. In the chart, you will note every change in Community Classification results in a 5% change in flood insurance premium.

Credit Points	Class	Premium Reduction
4,500+	1	45%
4,000 – 4,499	2	40%
3,500 – 3,999	3	35%
3,000 – 3,499	4	30%
2,500 – 2,999	5	25%
2,000 – 2,499	6	20%
1,500 – 1,999	7	15%
1,000 – 1,499	8	10%
500 – 999	9	5%
0 – 499	10	0

The following is from the FEMA/NFIP classification system manual:

b. Class 7 Prerequisite:

*In addition to having sufficient points, in order to be a Class 7 or better, a community must have received a classification of 6/6 or better under the Building Code Effectiveness Grading Schedule (BCEGS). **Both BCEGS classifications (residential/personal and commercial) must be a class 6 or better** (emphasis added).*

c. Class 4 Prerequisite: In order to be a Class 4 or better, a community MUST:

- Have received a classification of 5/5 or better under the BCEGS*

This means a community that otherwise has sufficient points to qualify for Class 5 flood insurance rates, for example, would be unable to get better than Class 8 flood insurance rates (an increase in premium of 15%) if they do not meet the prerequisite of having a class 6 residential BCEGS score.

A building department that adopts the new code with amendments that remove or weaken the sprinkler requirement for dwellings may be penalized under the BCEGS system and may end up being penalized by FEMA and NFIP. The BCEGS penalty, although small (about 4%), can mean the difference between one class and the next-better class. And if a building department is currently a BCEGS class 5 or 6, the penalty can be much higher because of the prerequisites mentioned above. This penalty may also reduce the amount of Hazard Mitigation funding available to many communities.



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The communities, the fire departments, and the insurance-buying homeowners of Washington may have millions of dollars riding on this decision. There are currently about 30 communities with a BCEGS class 5 or 6, most in Central or Eastern Washington.

The decision whether to consider the dwelling sprinkler requirement in the BCEGS evaluation has not been finalized. However, fire sprinkler systems have always been considered hazard mitigation and there is and will continue to be strong support in the insurance industry for including this requirement in the BCEGS evaluation.

WSRB and the insurance industry have long been partners with the public and first-responders in encouraging and recognizing effective measures to reduce the damage, expense and loss of life due to fire. I therefore encourage the State Building Code Council to “do the right thing” and support fire sprinklers in one- and two-family dwellings.

Sincerely,

David Bruell
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Washington Surveying & Rating Bureau